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State Dept. review completed

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EASTERN EUROPEAN INTELLIGENCER

OCI #0951/72

11 August 1972

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Guarded Optimism Over the Economy

Analysis of Yugoslavia's economic performance in the first six months of 1972 confirms earlier indications of favorable trends in employment, balance of payments, expansion of exports, curbing of imports and a rise in industrial production. On the negative side, however, the

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cost of living continued to surge upward and at the end of June was 9.4% higher than last December. Federal officials also were not able to persuade republic and provincial officials to curb their excessive investment and expenditure policies in the first half of the year. This inflationary pressure, if left unchecked, could undermine the positive results achieved elsewhere in the economy.

Embassy Belgrade, in reporting the analysis of the economy, gives the following statistics; employment increased at a rate of 4.3% (higher than earlier predicted); foreign exchange reserves stood at \$550 million in mid-June (a vast improvement over last year when reserves at one point dipped to \$150 million); and exports to convertible currency areas were up 15.5% over the same period in 1971, while imports declined 21.3%. The federal government also scored some policy successes. The five year social development plan (economic) was finally passed; legislation regulating prices, liberalizing the foreign trade system, and measures to combat business insolvency were passed through the assembly; and development of the economically depressed regions reportedly proceeded satisfactorily.

Despite these plusses, the boom in exports and decline in imports has reduced the supply of consumer goods on the domestic market. The resulting consumer demand for goods is forcing up the price of those available. Throughout the remainder of 1972 the federal government will have to concentrate on implementing effective price and wage controls in order to cope with the major economic problem--inflation.

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NOTE: THE VIEWS EXPRESSED ABOVE REPRESENT  
ONLY THE ANALYSIS OF THE EE BRANCH

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EASTERN EUROPEAN INTELLIGENCE OCI #0950/72  
10 August 1972Ceausescu and Todor Zhivkov Hold Talks in Romania

Ceausescu met the Bulgarian party chief on 9 August at Vama Veche, a small Romanian town on the Black Sea coast. The two men immediately journeyed to Ceausescu's summer vacation home at Mangalia Nord where talks began and a festive dinner was held last night. Neither the Romanians nor the Bulgarians have indicated topics under discussion or how long the visit may last. Ceausescu and Zhivkov last met in Romania in September 1970.

The current talks closely follow both the Romanian national party conference and the meeting of CEMA-country first secretaries in the Crimea in July at which European security was discussed. It thus appears likely that the two men will center their talks on preparations for a Conference on Security and Cooperation in Europe (CSCE). They may also devote considerable time to planning for increased cooperation among Balkan countries. Ceausescu addressed this topic in some detail at his party conference, while Zhivkov appears to have the green light from Moscow to play a role in the reduction of tension in the Balkans.

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Constitutional Reform Slows

Next year's national elections, slated for April 1973, may have to be postponed because of slow progress in drafting the second half of Yugoslavia's two part constitutional reforms. The amendments were originally scheduled to be published before the end of September, but the Belgrade daily, Politika, reported on 8 August that it is "not known" when they will be ready. No reason is given for the delay. This apparent caution by the drafters probably reflects their awareness that full-blown Croatian nationalism surfaced last year when the first set of amendments ushered in the dispute over decentralization.

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